

Message Text

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KUWAIT FROM BEIRUT DEC 03:

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SUBJECT: RECONSTRUCTION PLANNING IN LEBANON

REF: BEIRUT 8559

1. SUMMARY. RECONSTRUCTION PLANNING IN LEBANON, UNDER THE DIRECTION OF PRESIDENT SARKIS, IS NOW GETTING UNDERWAY. ALTHOUGH THERE HAS BEEN TREMENDOUS DESTRUCTION IN THE COUNTRY DURING THE PAST 20 MONTHS, AND THE NEEDS ARE GREAT, LEBANON'S FINANCIAL SITUATION IS RELATIVELY HEALTHY AND ECONOMIC RECOVERY COULD COME QUICKLY IF THE SECURITY SITUATION CONTINUES TO IMPROVE. NEVERTHELESS, OUTSIDE FINANCIAL AND TECHNICAL ASSISTANCE WILL BE NEEDED AND LEBANON WILL BE LOOKING TO THE UNITED STATES, AS WELL AS OTHER FRIENDS, FOR HELP. END SUMMARY.

2. NOW THAT THE SHOOTING HAS STOPPED IN LEBANON (EXCEPT FOR THE SOUTH), LEBANESE GOVERNMENT OFFICIALS, LED BY PRESIDENT SARKIS, ARE TURNING THEIR ATTENTION TO RECONSTRUCTION. (SEE REFTEL FOR ANALYSIS OF PRESIDENT SARKIS' UNCLASSIFIED

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NATIONAL DAY MESSAGE, WHICH INCLUDED DISCUSSION OF THIS

SUBJECT.) THE TWO OFFICIALS WHO APPEAR TO BE MOST INVOLVED IN THIS EFFORT ARE SALIM AL-HUSS, THE HEAD OF THE DEVELOPMENT BANK, AND GHASSAN TUEINI, THE MINISTER OF LABOR AND SOCIAL AFFAIRS, INDUSTRY, AND INFORMATION. AL-HUSS HAS BEEN MEETING REGULARLY WITH THE DIRECTORS GENERAL OF THE VARIOUS GOVERNMENT DEPARTMENTS TO ASSESS THE DESTRUCTION CAUSED BY THE CIVIL WAR AND DEVELOP A COHERENT PLAN FOR RECONSTRUCTION. HE IS BY ALL ACCOUNTS A CLOSE PERSONAL ADVISOR OF SARKIS' ON ALL RECONSTRUCTION AND FINANCIAL MATTERS. ACCORDING TO SOME REPORTS, AL-HUSS WILL HAVE A WELL DEVELOPED PLAN READY TO PRESENT TO PRESIDENT SARKIS IN MID-DECEMBER. WE HEAR THAT BUSINESS AND FINANCIAL INSIDERS WHO HAVE SEEN IT ARE VERY HIGHLY IMPRESSED WITH ITS THOROUGHNESS AND ECONOMIC COMMON SENSE.

3. MINISTER TUEINI RECENTLY RETURNED FROM EUROPE WHERE HE MET WITH OFFICIALS OF THE FAO AND OTHER INTERNATIONAL ORGANIZATIONS TO DISCUSS NOT ONLY EMERGENCY RELIEF FOR THE HUNGRY AND THE HOMELESS IN LEBANON, BUT ALSO PRELIMINARY PLANS FOR RECONSTRUCTION. ACCORDING TO RECENT PRESS ARTICLES IN BEIRUT, TUEINI HAS SAID THAT RECONSTRUCTION EFFORTS WILL CENTER ON FOUR AREAS:

A. THE CITY OF BEIRUT. THE COMPLETE DESTRUCTION OF BEIRUT'S CENTRAL COMMERCIAL CENTER PROVIDES AN OPPORTUNITY TO RE-EXAMINE THE CITY PLAN AND TO REORGANIZE BEIRUT FROM THE COMMERCIAL, ECONOMIC, AND SOCIAL POINTS OF VIEW. A FRENCH TECHNICAL MISSION CONSISTING OF SPECIALISTS IN URBAN DEVELOPMENT, ARCHITECTURE, AND TRANSPORTATION IS EXPECTED TO ARRIVE HERE SOON TO WORK WITH GOL OFFICIALS ON A PLAN FOR THE NEW BEIRUT.

B. INDUSTRIALIZATION. ACCORDING TO TUEINI, ONLY ELEVEN PERCENT OF BEIRUT'S FACTORIES ARE STILL OPERATIONAL. THE HAPHAZARD INDUSTRIALIZATION OF BEIRUT DURING THE PAST DECADE CREATED A BELT OF FACTORIES AROUND THE CITY WHICH IN TURN SPAWNED SLUMS WHERE THE POORLY-PAID FACTORY WORKERS AND THEIR FAMILIES LIVED. THE SOCIAL INEQUALITY MANIFESTED BY THESE SLUMS COMPARED TO THE "GOLD COAST" OF BEIRUT WAS UNCLASSIFIED

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ONE OF THE SOURCES OF TENSIONS LEADING TO THE "LEBANESE CRISIS" AND GOL OFFICIALS WOULD LIKE TO AVOID A SIMILAR MISTAKE DURING THE REBUILDING OF THE CITY.

C. INFRASTRUCTURE. FIRST PRIORITY WILL BE GIVEN TO REBUILDING THE PORT, WHERE ALL STORAGE FACILITIES HAVE BEEN DESTROYED AND THE GOODS LOOTED. THE ADJACENT SLUM AREA OF QARANTINA, WHICH WAS COMPLETELY DESTROYED DURING

THE FIGHTING, IS NOW BEING BULLDOZED FLAT AND MAY BE INCLUDED AS PART OF A PORT EXPANSION PROGRAM. FORTUNATELY, THE HARBOR ITSELF APPEARS TO HAVE SUFFERED VERY LITTLE, AND THE GRAIN SILO IS INTACT. BEIRUT INTERNATIONAL AIRPORT WAS NOT BADLY DAMAGED AND THE DG OF CIVIL AVIATION, ZUHAIR BEYDOUN, IS NOW IN EUROPE PRICING THE NEW EQUIPMENT NECESSARY FOR RESTORING IT TO ITS PRE-WAR LEVEL OF EFFICIENCY. ROADS AND THE RAILROAD MUST ALSO BE REPAIRED AND THE IMPROVEMENT OF MASS TRANSPORT FACILITIES, INCLUDING THE POSSIBILITY OF A SUBWAY FOR BEIRUT, ARE BEING STUDIED.

D. AID TO DISPLACED PERSONS AND THE RURAL POPULATION. THE GOVERNMENT MUST ALSO REPAIR OR CONSTRUCT HOUSING FOR AN ESTIMATED 700,000 PERSONS. THE APPROACH OF WINTER MAKES THIS PROBLEM URGENT. ACCORDING TO TUEINI, THE GOVERNMENT IS NOT PLANNING A TOTAL INDEMNIFICATION PROGRAM BUT WILL ASSIST HOME OWNERS WITH LOW-COST LOANS AND BY ORGANIZING BUYERS COOPERATIVES TO ASSIST THEM IN OBTAINING BUILDING MATERIALS. TO MEET THE LONG-TERM NEEDS OF THE RURAL POPULATION, AND ALSO STEM THE TIDE OF MIGRATION FROM THE COUNTRY TO THE CITY, THE FAO IS REPORTED PREPARING AN AGRARIAN REFORM PROGRAM.

4. HOW MUCH MONEY WILL BE NEEDED TO REBUILD THE LEBANESE ECONOMY IS A WIDELY DEBATED QUESTION. THE MOST COMMONLY USED FIGURE IS BETWEEN THREE AND FOUR BILLION DOLLARS. NOT ALL OF THIS WILL HAVE TO BE FOREIGN MONEY. AS HAS BEEN POINTED OUT, THERE ARE MANY WELL-TO-DO LEBANESE WHO HAVE MANAGED TO RETAIN (OR ACQUIRE) CONSIDERABLE SUMS THEY CAN INVEST IN LEBANON IF THEY CARE TO DO SO. IN ADDITION, THE LEBANESE GOVERNMENT ITSELF IS NOT POOR. IT IS GENERALLY BELIEVED THAT EIGHTY PERCENT OF THE LEBANESE CURRENCY IN CIRCULATION IS BACKED BY GOLD AT AN UNCLASSIFIED

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OFFICIAL RATE OF EXCHANGE OF ABOUT \$42 AN OUNCE. THE MAJORITY OF THESE GOLD STOCKS ARE REPORTEDLY LOCATED ABROAD. IN ADDITION, LEBANON HAS CONSIDERABLE FOREIGN EXCHANGE HOLDINGS. THE GOVERNMENT ITSELF SPENT BASICALLY NOTHING ON THE WAR; RATHER IT WAS FINANCED FROM ABROAD, FROM PRIVATE FUND-RAISING AND FROM THEFT, THUS AVOIDING THE TYPICAL WARTIME EXPEDIENT OF PAPER MONEY RESULTING IN RAPID DEVALUATION OF THE CURRENCY. LL 2.70 STILL BUYS U.S. \$1.00. ON THE BASIS OF ITS SOLID CURRENCY AND SOUND NATIONAL FINANCIAL MANAGEMENT, THE GOL SHOULD BE ABLE TO RAISE CONSIDERABLE MONEY ON ITS OWN ON COMMERCIAL MARKETS.

5. NEVERTHELESS, ADDITIONAL FUNDS WILL DEFINITELY BE NEEDED TO FINANCE THE RECONSTRUCTION EFFORT, AND THE GOL

WILL BE ACTIVELY SEEKING LOANS AND GRANTS FROM THE OIL-RICH ARAB COUNTRIES, THE US, EUROPE, AND INTERNATIONAL ORGANIZATIONS, ONCE ITS PLANS ARE READY. MINISTER OF ECONOMY OSSEIRAN HAS SUGGESTED THAT WHAT LEBANON NEEDS IS AN "ARAB MARSHALL PLAN" AND THE ANALOGY IS NOT COMPLETELY INAPPROPRIATE, EVEN THOUGH LEBANON IS MUCH BETTER OFF FINANCIALLY THAN EUROPE WAS IN 1945. LEBANON HAS A TRAINED AND ENERGETIC POPULATION AND THE ENTREPRENEURIAL SPIRIT IS STILL STRONG; VISITING NEWSPAPER CORRESPONDENTS CONFIRM THAT EVEN DURING THE WORST OF FIGHTING, THE TELEPHONE SYSTEM IN BEIRUT WAS BETTER THAN DAMASCUS AND BEIRUT BUSINESSMEN ARE FOND OF SAYING THAT THEIR WESTERN CONTACTS TELL THEM THEY HAVE NOT FOUND IN CAIRO OR ATHENS THE FACILITIES THEY TOOK FOR GRANTED IN BEIRUT. ASSUMING THE OIL BUSINESS CONTINUES TO BOOM IN THE GULF, BEIRUT SHOULD ONCE AGAIN BECOME THE BEST ENTREPOT FOR COMMERCE IN AND OUT OF THAT REGION. ECONOMIC RECOVERY COULD BE VERY QUICK.

6. IF RECONSTRUCTION DEPENDS ON INVESTMENT, INVESTMENT DEPENDS ON CONFIDENCE AND CONFIDENCE IN LEBANON TODAY DEPENDS ON CONTINUED IMPROVEMENT OF THE SECURITY SITUATION. PRESIDENT SARKIS, THE FORMER HEAD OF THE CENTRAL BANK, IS FULLY AWARE OF THIS; THE MOST QUOTABLE AND QUOTED PHRASE IN HIS NATIONAL DAY ADDRESS ON NOVEMBER 22 WAS "WE ARE NOW LOOKING FOR SECURITY BEFORE A LOAF OF BREAD." UNCLASSIFIED

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AT THE MOMENT, THE BUSINESS COMMUNITY IN LEBANON APPEARS CONFIDENT; BEIRUT CHAMBER OF COMMERCE OFFICIALS REPORT THAT THE PRICE OF LAND IN THE DEVASTATED COMMERCIAL CENTER OF BEIRUT IS NO LESS TODAY THAN IT WAS THREE YEARS AGO.

7. PRESIDENT SARKIS HAS YET TO NAME A PRIME MINISTER TO FORM A NEW GOVERNMENT, NOR HAS HE INDICATED ANY PLANS FOR GOVERNMENTAL REORGANIZATION WITH A VIEW TO RECONSTRUCTION. AL-HUSS AND TUEINI ARE WORKING ON RECONSTRUCTION PLANS AS A "TRANSITION TEAM;" THEY HAVE NO ESTABLISHED STAFFS FOR THE PURPOSE. IT IS THEREFORE DIFFICULT AT THE MOMENT TO KNOW WHAT OFFICE AMERICAN FIRMS WISHING TO PARTICIPATE IN RECONSTRUCTION EFFORT SHOULD CONTACT. AN ANSWER TO THIS QUESTION MAY EMERGE IN THE CONTEXT OF THE VISIT TO WASHINGTON OF A LEBANESE DELEGATION TO DISCUSS USG PARTICIPATION IN THE REBUILDING OF LEBANON. LANE UNQUOTE ROBINSON

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